

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1377-03  
Bill No.: CCS for HCS for SB 282  
Subject: Health Insurance; Department of Insurance  
Type: Original  
Date: May 7, 2015

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Bill Summary: This proposal changes the laws regarding property and casualty insurance procedures.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	Up to \$14,000 or (Up to \$146,108)	\$0 or (\$162,694)	\$0 or (164,359)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Up to \$14,000 or (Up to \$146,108)</b>	<b>\$0 or (\$162,694)</b>	<b>\$0 or (164,359)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Insurance Dedicated	0 or 2	0 or 2	0 or 2
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 2</b>	<b>0 or 2</b>	<b>0 or 2</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 374.015 and 374.018

In response to a previous version, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assumed that 2 FTEs (1 Attorney and 1 Paralegal) would be sufficient to cover the additional legal work in this proposal. However, should the volume of request for no-action letters be more than anticipated, the department will request an additional FTE (1 Attorney) through the budget process. Currently the state has 264 insurance groups with premiums greater than \$2,000,000. A fair estimate is that 1 in 2 insurance groups will request a no-action letter in a given year. This would translate to about 132 requests per year.

**Oversight** assumes that because this proposal is discretionary DIFP would only take action if the required funds were appropriated through the budget process.

For fiscal note purposes, **Oversight** will show a zero or the full cost of the additional FTE associated with the proposal, as estimated by DIFP.

#### Section 379.470

In response to a previous version, officials from the **Department of Insurance, Financial Institutions and Professional Registration** assumed insurers would be required to submit amendments to their policies to comply with legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. The number of insurance companies writing these policies in Missouri fluctuates each year. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$14,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews the department will need to request additional staff to handle increase in workload.

#### Bill as a whole

Officials from the **Office of the State Treasurer** assume the current proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State**, the **Missouri Consolidated Health Care Plan**, the **Department of Corrections**, the **Office of Administration**, the **Department of Health and Senior Services**, and the **Department of Transportation** each assumed the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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**INSURANCE DEDICATED FUND**

<u>Revenue - Policy Amendment Fees</u>	<u>Up to \$14,000</u>	<u>\$0</u>	<u>\$0</u>
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Costs - DIFP

Salaries	\$0 or (\$87,500)	\$0 or (\$106,050)	\$0 or (\$107,111)
Fringe Benefits	\$0 or (\$44,629)	\$0 or (\$54,091)	\$0 or (\$54,632)
Equipment and Expenses	<u>\$0 or (\$13,979)</u>	<u>\$0 or (\$2,553)</u>	<u>\$0 or (\$2,616)</u>
<u>Total Costs - DIFP</u>	<u>\$0 or (\$146,108)</u>	<u>\$0 or (\$162,694)</u>	<u>\$0 or (\$164,359)</u>
FTE Change - DIFP	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

**ESTIMATED NET EFFECT ON  
 INSURANCE DEDICATED FUND**

<b><u>Up to \$14,000</u></b>	<b><u>\$0 or (\$162,694)</u></b>	<b><u>\$0 or (\$164,359)</u></b>
<b><u>or (Up to \$146,108)</u></b>		

Estimated Net FTE Change on the Insurance Dedicated Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses would be affected by new mailing requirements as a result of this proposal.

## FISCAL DESCRIPTION

This bill requires any insurer canceling, refusing to renew, or refusing to write a policy of automobile insurance to send written notice by United States Postal Service certificate of mailing, first class mail using Intelligent Mail barcode (IMb), or another mail tracking method used, approved, or accepted by the United States Postal Service.

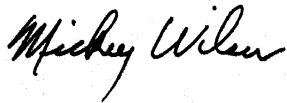
This proposal allows the Department of Insurance, Financial Institutions and Professional Registration to issue non-binding informational documents to insurers. The department may issue informal bulletins for the purpose educating the insurance industry and the general public about a regulatory topic or issue. The proposal allows the department to issue a no-action letter stating the intention of the department to not take enforcement actions to a particular insurer based on a specific set of facts presented by the insurer under applicable law as of the date of the issuance of the letter. If there is not a change in any material fact or law or a discovery of a material misrepresentation or omission made by the insurer, the department is stopped from bringing any enforcement action against an insurer who has been issued a no-action letter concerning the conduct that is the subject of the no-action letter.

This proposal authorizes a return or refund of a portion of expense savings to an insured in cases where an insured makes no reportable claim under specified coverages within a prescribed period of time. This proposal further states that such a return or refund shall not constitute a rebate or an unfair trade practice.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration  
Office of the Secretary of State  
Office of the State Treasurer  
Missouri Consolidated Health Care Plan  
Department of Transportation  
Office of Administration  
Department of Health and Senior Services  
Department of Corrections



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May 7, 2015

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